

Tripoli Community School District

**Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings**

June 30, 2005

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Tripoli Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2004 Election)

Randy Neuendorf	President	2005
Kevin Fisher	Vice President	2005
Kathy Fink	Board Member	2004
Pat Finder	Board Member	2004
Scott Danner	Board Member	2006

Board of Education

(After September 2004 Election)

Randy Neuendorf	President	2005
Scott Danner	Vice President	2006
Kevin Fisher	Board Member	2005
Jamie Dettmer	Board Member	2007
Ronald Orf	Board Member	2007

School Officials

Don Meier	Interim Superintendent (7-1-04 to 10-31-04)	2005
Robert Longmuir	Superintendent (beginning 11-1-04)	
Jocelyn Moeller	District Secretary/Treasurer (resigned 3-31-05)	2005
Linda Rotz	District Secretary/Treasurer (beginning 3-31-05)	

Independent Auditor's Report

To the Board of Education of
Tripoli Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tripoli Community School District, Tripoli, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.


I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Tripoli Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 30, 2005 on my consideration of Tripoli Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tripoli Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge
Certified Public Accountant

September 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Tripoli Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,587,261 in fiscal 2004 to \$3,681,196 in fiscal 2005, and General Fund expenditures increased from \$3,310,826 in fiscal 2004 to \$3,547,125 in fiscal 2005. The District's General Fund balance increased from \$535,465 in fiscal year 2004 to \$669,536 in fiscal year 2005, a 20% increase.
- The increase in General Fund revenues was attributable to an increase in state grant revenue in fiscal year 2005. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures.
- The increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 12.8% in 2004 to 16.0% in fiscal 2005. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Tripoli Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Tripoli Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Tripoli Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Tripoli Community School District Annual Financial Report

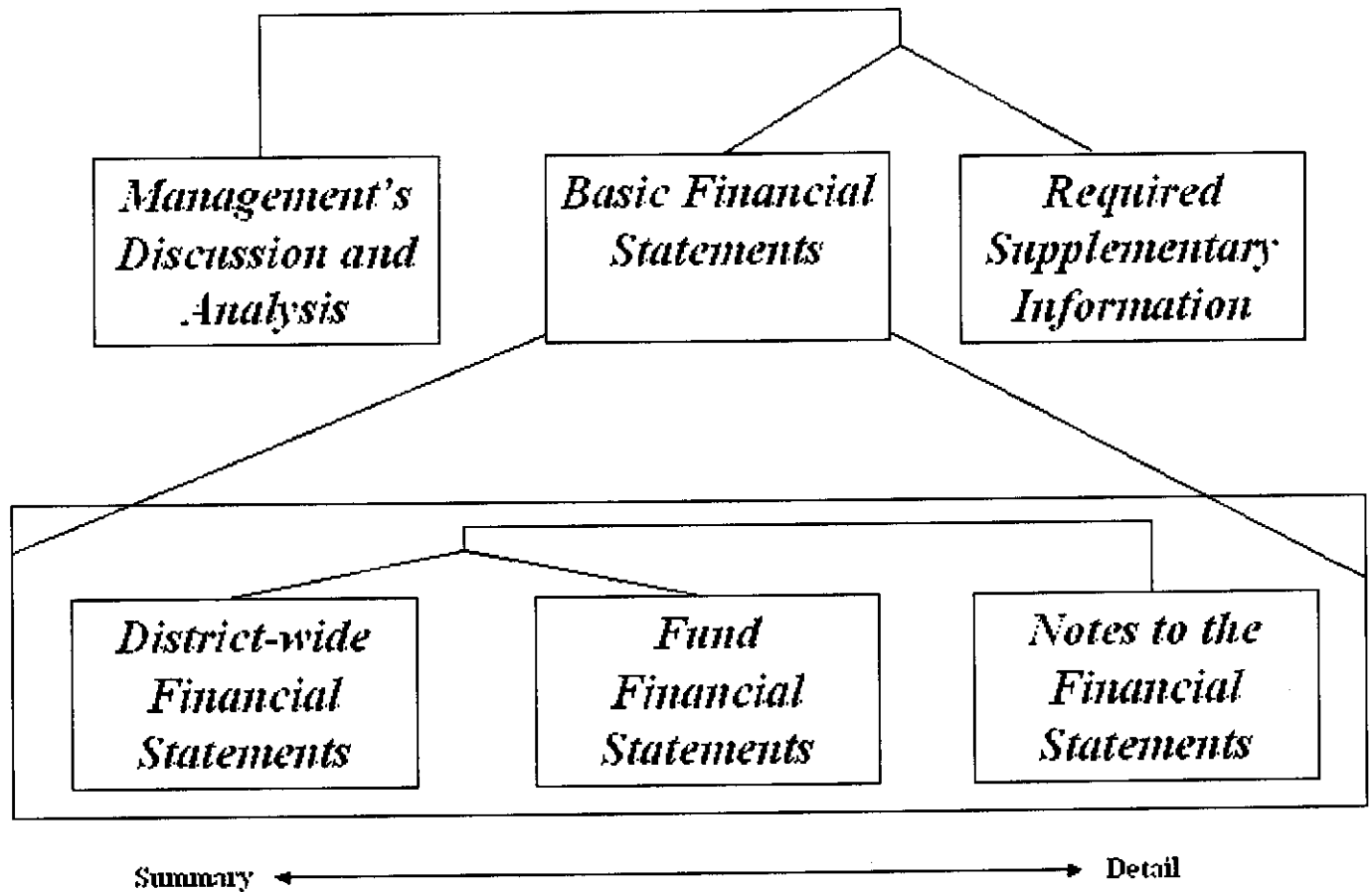


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets Statement of cash flows	Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Before and After School Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2005 compared to June 30, 2004.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$2,793,566	\$2,645,793	\$68,058	\$78,565	\$2,861,624	\$2,724,358	5.0%
Capital assets	4,560,287	4,606,007	31,603	24,003	4,591,890	4,630,010	-0.8%
Total assets	\$7,353,853	\$7,251,800	\$99,661	\$102,568	\$7,453,514	\$7,354,368	1.3%
Long-term liabilities	\$591,083	\$665,533	\$-	\$-	\$591,083	\$665,533	-11.2%
Other liabilities	1,851,134	2,000,646	9,062	8,113	1,860,196	2,008,759	-7.4%
Total liabilities	\$2,442,217	\$2,666,179	\$9,062	\$8,113	\$2,451,279	\$2,674,292	-8.3%
Net assets:							
Invested in capital assets, net of related debt	\$4,263,243	\$4,243,663	\$31,603	\$24,003	\$4,294,846	\$4,267,666	0.6%
Restricted	102,182	112,695	-	-	102,182	112,695	-9.3%
Unrestricted	546,211	229,263	58,996	70,452	605,207	299,715	101.9%
Total net assets	\$4,911,636	\$4,585,621	\$90,599	\$94,455	\$5,002,235	\$4,680,076	6.9%

The District's combined net assets increased by nearly 6.9 %, or \$322,159, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$10,513, or 9.3% over the prior year. The decrease was primarily a result of a decrease in other general fund reserved assets.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$305,492, or 101.9%.

Figure A-4 shows the change in net assets for the year ended June 30, 2005.

Figure A-4 Changes in Net Assets			
	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$370,265	\$117,739	\$488,004
Operating grants, contributions and restricted interest	386,520	64,819	451,339
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,602,580	-	1,602,580
Local option sales & services tax	192,627	-	192,627
Unrestricted state grants	1,779,680	-	1,779,680
Unrestricted investment earnings	34,446	471	34,917
Other	2,392	-	2,392
Total revenues	<u>\$4,368,510</u>	<u>\$183,029</u>	<u>\$4,551,539</u>
Program expenses:			
Governmental activities:			
Instruction	\$2,889,935	\$-	\$2,889,935
Support services	943,521	-	943,521
Non-instructional programs	-	186,885	186,885
Other expenses	209,039	-	209,039
Total expenses	<u>\$4,042,495</u>	<u>\$186,885</u>	<u>\$4,229,380</u>
Change in net assets	<u>\$326,015</u>	<u>-\$3,856</u>	<u>\$322,159</u>

Property tax and unrestricted state grants account for 74.3% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90.6% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,368,510 and expenses were \$4,042,495. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities		
	Total Cost of Services	Net Cost of Services
Instruction	\$2,889,935	\$2,136,237
Support services	943,521	940,434
Non-instructional programs	-	-
Other expenses	209,039	209,039
Totals	<u>\$4,042,495</u>	<u>\$3,285,710</u>

- The cost financed by users of the District's programs was \$488,004.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$451,339.
- The net cost of governmental activities was financed with \$1,795,207 in property and other taxes and \$1,779,680 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$183,029 and expenses were \$186,885. The District's business type activities include the School Nutrition Fund and Before and After School Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Tripoli Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$943,608, well above last year's ending fund balances of \$646,591.

BUDGETARY HIGHLIGHTS

The District's receipts were \$205,034 more than budgeted receipts, a variance of 4.7%.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, the District had invested \$4,591,890, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of .8% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$220,737.

The original cost of the District's capital assets was \$7,688,435. Governmental funds account for \$7,633,671, with the remainder of \$54,764 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$33,500	\$33,500	\$-	\$-	\$33,500	\$33,500	0.0%
Buildings	4,155,667	4,291,123	-	-	4,155,667	4,291,123	-3.2%
Improvements other than buildings	107,216	115,334	-	-	107,216	115,334	-7.0%
Furniture and equipment	263,904	166,050	31,603	24,003	295,507	190,053	55.5%
Totals	\$4,560,287	\$4,606,007	\$31,603	\$24,003	\$4,591,890	\$4,630,010	-0.8%

Long-Term Debt

At June 30, 2005, the District had \$591,083 in other long-term debt outstanding. This represents a decrease of 11.2% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2005	2004	2004-2005
Notes payable	\$297,044	\$362,344	-18.0%
Early retirement	294,039	303,189	-3.0%
Totals	\$591,083	\$665,533	-11.2%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Rotz, District Secretary/Treasurer, Tripoli Community School District, 209 8th Avenue SW, Tripoli IA 50676.

Basic Financial Statements

Tripoli Community School District

Statement of Net Assets

June 30, 2005

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
Restricted	\$ 300,000	\$ -	\$ 300,000
Other	869,456	51,303	920,759
Receivables:			
Property tax:			
Delinquent	22,942	-	22,942
Succeeding year	1,446,411	-	1,446,411
Accounts	30,559	6,186	36,745
Prepaid expenses	47,329	-	47,329
Due from other funds	33,235	-	33,235
Due from other governments	43,634	-	43,634
Inventories	-	10,569	10,569
Capital assets, net of accumulated depreciation	4,560,287	31,603	4,591,890
Total Assets	\$ 7,353,853	\$ 99,661	\$ 7,453,514
Liabilities			
Accounts payable	\$ 76,261	\$ 407	\$ 76,668
Due to other funds	27,286	5,949	33,235
Accrued interest payable	1,176	-	1,176
Deferred revenue-succeeding year property tax	1,446,411	-	1,446,411
Other	-	2,706	2,706
Bank warrants payable	300,000	-	300,000
Long-term liabilities:			
Portion due within one year:			
Notes payable	68,886	-	68,886
Early retirement	59,237	-	59,237
Portion due after one year:			
Notes payable	228,158	-	228,158
Early retirement	234,802	-	234,802
Total Liabilities	\$ 2,442,217	\$ 9,062	\$ 2,451,279
Net Assets			
Invested in capital assets, net of related debt	\$ 4,263,243	\$ 31,603	\$ 4,294,846
Restricted for:			
Other special revenue purposes	102,182	-	102,182
Unrestricted	546,211	58,996	605,207
Total Net Assets	\$ 4,911,636	\$ 90,599	\$ 5,002,235

Tripoli Community School District

Statement of Activities

Year Ended June 30, 2005

	Program Revenues			
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses			
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,033,049	\$ 189,417	\$ 320,975	\$ -
Special instruction	565,249	39,387	61,902	-
Other instruction	291,637	141,386	631	-
	<u>\$ 2,889,935</u>	<u>\$ 370,190</u>	<u>\$ 383,508</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 42,476	\$ -	\$ -	\$ -
Instructional staff services	127,605	-	-	-
Administration services	334,836	-	3,012	-
Operation and maintenance of plant services	304,462	75	-	-
Transportation services	134,142	-	-	-
	<u>\$ 943,521</u>	<u>\$ 75</u>	<u>\$ 3,012</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 52,537	\$ -	\$ -	\$ -
Long-term debt interest	16,842	-	-	-
AEA flow-through	139,660	-	-	-
	<u>\$ 209,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 4,042,495</u>	<u>\$ 370,265</u>	<u>\$ 386,520</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 178,097	\$ 105,928	\$ 64,819	\$ -
Child care operations	8,788	11,811	-	-
	<u>\$ 186,885</u>	<u>\$ 117,739</u>	<u>\$ 64,819</u>	<u>\$ -</u>
Total	<u>\$ 4,229,380</u>	<u>\$ 488,004</u>	<u>\$ 451,339</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities	Total
\$	-1,522,657	\$ -	\$ -1,522,657
	-463,960	-	-463,960
	-149,620	-	-149,620
\$	-2,136,237	\$ -	\$ -2,136,237
\$	-42,476	\$ -	\$ -42,476
	-127,605	-	-127,605
	-331,824	-	-331,824
	-304,387	-	-304,387
	-134,142	-	-134,142
\$	-940,434	\$ -	\$ -940,434
\$	-52,537	\$ -	\$ -52,537
	-16,842	-	-16,842
	-139,660	-	-139,660
\$	-209,039	\$ -	\$ -209,039
\$	-3,285,710	\$ -	\$ -3,285,710
\$	-	\$ -7,350	\$ -7,350
	-	3,023	3,023
\$	-	\$ -4,327	\$ -4,327
\$	-3,285,710	\$ -4,327	\$ -3,290,037

Tripoli Community School District

Statement of Activities

Year Ended June 30, 2005

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
General Revenues:			
Property Tax Levied For:			
General purposes			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net assets			
Net assets beginning of year			
Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 1,447,401	\$ -	\$ 1,447,401
155,179	-	155,179
192,627	-	192,627
1,779,680	-	1,779,680
34,446	471	34,917
2,392	-	2,392
<hr/>		
\$ 3,611,725	\$ 471	\$ 3,612,196
<hr/>		
\$ 326,015	\$ -3,856	\$ 322,159
4,585,621	94,455	4,680,076
<hr/>		
\$ 4,911,636	\$ 90,599	\$ 5,002,235
<hr/>		

Tripoli Community School District

Balance Sheet
Governmental Funds

June 30, 2005

	General	Capital Projects	Non-major Special Revenue	Total
Assets				
Cash and Pooled Investments:				
Restricted	\$ 300,000	\$ -	\$ -	\$ 300,000
Other	588,677	120,385	160,394	869,456
Receivables:				
Property Tax:				
Delinquent	17,500	-	5,442	22,942
Succeeding year	1,106,449	-	339,962	1,446,411
Accounts	2,325	27,416	818	30,559
Prepaid expenses	47,329	-	-	47,329
Due from other funds	5,949	13,656	13,630	33,235
Due from other governments	43,634	-	-	43,634
Total Assets	\$ 2,111,863	\$ 161,457	\$ 520,246	\$ 2,793,566
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 22,222	\$ 34,705	\$ 19,334	\$ 76,261
Due to other funds	13,656	13,630	-	27,286
Bank warrants payable	300,000	-	-	300,000
Deferred Revenue:				
Succeeding year property tax	1,106,449	-	339,962	1,446,411
Total Liabilities	\$ 1,442,327	\$ 48,335	\$ 359,296	\$ 1,849,958
Fund Balances:				
Reserved	\$ 102,182	\$ -	\$ -	\$ 102,182
Unreserved	567,354	113,122	160,950	841,426
Total Fund Balances	\$ 669,536	\$ 113,122	\$ 160,950	\$ 943,608
Total Liabilities and Fund Balances	\$ 2,111,863	\$ 161,457	\$ 520,246	\$ 2,793,566

Tripoli Community School District
Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (page 15)	\$ 943,608
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	4,560,287
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-1,176
Long-term liabilities, including notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-591,083</u>
Net assets of governmental activities (page 12)	<u>\$ 4,911,636</u>

Tripoli Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2005

	General	Capital Projects	Non-Major Special Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 1,254,447	\$ -	\$ 348,133	\$ 1,602,580
Tuition	121,599	-	-	121,599
Other	127,342	193,426	145,755	466,523
Intermediate sources	11,608	-	-	11,608
State sources	2,044,677	-	-	2,044,677
Federal sources	121,523	-	-	121,523
Total Revenues	\$ 3,681,196	\$ 193,426	\$ 493,888	\$ 4,368,510
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,833,762	\$ -	\$ 68,610	\$ 1,902,372
Special instruction	565,249	-	-	565,249
Other instruction	160,625	-	139,971	300,596
	\$ 2,559,636	\$ -	\$ 208,581	\$ 2,768,217
Support Services:				
Student services	\$ 42,476	\$ -	\$ -	\$ 42,476
Instructional staff services	127,605	-	-	127,605
Administration services	338,143	-	-	338,143
Operation and maintenance of plant services	240,671	-	59,570	300,241
Transportation services	98,934	-	58,924	157,858
	\$ 847,829	\$ -	\$ 118,494	\$ 966,323
Other Expenditures:				
Facilities acquisition	\$ -	\$ 80,304	\$ 34,579	\$ 114,883
Long-Term Debt:				
Principal	-	-	65,300	65,300
Interest and fiscal charges	-	-	17,110	17,110
AEA flow-through	139,660	-	-	139,660
	\$ 139,660	\$ 80,304	\$ 116,989	\$ 336,953
Total Expenditures	\$ 3,547,125	\$ 80,304	\$ 444,064	\$ 4,071,493
Excess of revenues over expenditures	\$ 134,071	\$ 113,122	\$ 49,824	\$ 297,017
Other Financing Sources (Uses):				
Operating transfers in	\$ -	\$ -	\$ 82,410	\$ 82,410
Operating transfers out	-	-	-82,410	-82,410
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ 134,071	\$ 113,122	\$ 49,824	\$ 297,017
Fund balances beginning of year	535,465	-	111,126	646,591
Fund Balances End of Year	\$ 669,536	\$ 113,122	\$ 160,950	\$ 943,608

See notes to financial statements.

Tripoli Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2005

Net change in fund balances – total governmental funds (page 17) **\$ 297,017**

***Amounts reported for governmental activities in the Statement of Activities are
different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 171,834	
Depreciation expense	-217,554	-45,720

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid	65,300
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 66,888	
New retirement	-57,738	9,150

Change in Net Assets of Governmental Activities (page 14)	\$ 326,015
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Tripoli Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2005

	Before & After School	School Nutrition	Total
Assets			
Cash and cash equivalents	\$ 5,328	\$ 45,975	\$ 51,303
Accounts receivable	-	6,186	6,186
Inventories	-	10,569	10,569
Capital assets, net of accumulated depreciation	-	31,603	31,603
Total Assets	\$ 5,328	\$ 94,333	\$ 99,661
Liabilities			
Accounts payable	\$ -	\$ 407	\$ 407
Due to other funds	1,633	4,316	5,949
Deferred revenue	-	2,706	2,706
Total Liabilities	\$ 1,633	\$ 7,429	\$ 9,062
Net Assets			
Invested in capital assets, net of related debt	\$ -	\$ 31,603	\$ 31,603
Unrestricted	3,695	55,301	58,996
Total Net Assets	\$ 3,695	\$ 86,904	\$ 90,599

See notes to financial statements.

Tripoli Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

June 30, 2005

	Before & After School	School Nutrition	Total
Operating revenues:			
Local sources:			
Charges for service	\$ 11,811	\$ 105,928	\$ 117,739
Operating expenses:			
Non-instructional programs:			
Food service and child care operations:			
Salaries and benefits	\$ 8,615	\$ 84,010	\$ 92,625
Purchased services	-	3,073	3,073
Supplies	173	87,739	87,912
Depreciation	-	3,183	3,183
Other	-	92	92
Total operating expenses	\$ 8,788	\$ 178,097	\$ 186,885
Operating income (loss)	\$ 3,023	\$ -72,169	\$ -69,146
Non-operating revenues:			
State sources	\$ -	\$ 2,608	\$ 2,608
Federal sources	-	62,211	62,211
Interest income	-	471	471
Total non-operating revenues	\$ -	\$ 65,290	\$ 65,290
Change in net assets	\$ 3,023	\$ -6,879	\$ -3,856
Net assets beginning of year	672	93,783	94,455
Net Assets End of Year	\$ 3,695	\$ 86,904	\$ 90,599

Tripoli Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2005

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 106,597
Cash paid to employees for services	-84,580
Cash paid to suppliers for goods or services	-73,535
Net cash used by operating activities	<u>\$ -51,518</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,608
Federal grants received	43,405
Net cash provided by non-capital financing activities	<u>\$ 46,013</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -10,783</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 471</u>
Net decrease in cash and cash equivalents	\$ -15,817
Cash and cash equivalents beginning of year	<u>61,792</u>
Cash and Cash Equivalents End of Year	<u>\$ 45,975</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -72,169
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	13,010
Depreciation	3,183
Decrease in inventories	4,060
Decrease in accounts receivable	81
Increase in accounts payable	298
(Decrease) in due to other funds	-569
Increase in deferred revenue	588
Net Cash Used by Operating Activities	<u>\$ -51,518</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$13,010 of federal commodities.

Tripoli Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2005

	Before & After School
Cash flows from operating activities:	
Cash received from services	\$ 11,845
Cash paid to employees for services	-8,116
Cash paid to suppliers for goods or services	-39
Net cash provided by operating activities	<u>\$ 3,690</u>
Net increase in cash and cash equivalents	\$ 3,690
Cash and cash equivalents beginning of year	<u>1,638</u>
Cash and Cash Equivalents End of Year	<u>\$ 5,328</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,023
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	34
Increase in due to other funds	<u>633</u>
Net Cash Provided by Operating Activities	<u>\$ 3,690</u>

Tripoli Community School District

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Tripoli Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Tripoli and Frederika, Iowa and portions of the predominately agricultural territories in Bremer and Chickasaw Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Tripoli Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Tripoli Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund and Before and After School Fund. These funds are used to account for the food service operations of the District and child care operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Due From and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nutrition Fund	\$ 4,316
General Fund	Before & After School	1,633
Capital Projects	General Fund	13,656
Physical Plant & Equipment Levy	Capital Projects	13,630
		<u>\$ 33,235</u>

The Nutrition Fund and Before & After School both owe the General Fund for salaries. The balance will be repaid. The General Fund owes the Capital Projects Fund for local option sales tax deposited in that fund. The balance will be repaid in 2005-2006. The Capital Projects Fund owes the Physical Plant and Equipment Levy for equipment purchased. The balance will be repaid in 2005-2006.

(4) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	<u>\$ 82,410</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Bank Anticipatory Warrants

The District has entered into an agreement with American Savings Bank for the issuance of anticipatory warrants of \$500,000 with an interest rate of 4.25%. Activity for the year ended June 30, 2005 is as follows:

	Balance Beginning Of Year	Advances Received	Advances Repaid	Balance End of Year
Total	<u>\$500,000</u>	<u>\$-</u>	<u>\$200,000</u>	<u>\$300,000</u>

Cash advanced under these warrants are held in a money management savings account. These funds are only used if the District's regular cash flow is inadequate to meet current needs.

(6) **Capital Assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 33,500	\$ -	\$ -	\$ 33,500
Total capital assets not being depreciated	\$ 33,500	\$ -	\$ -	\$ 33,500
Capital assets being depreciated:				
Buildings	\$ 6,587,937	\$ 2,532	\$ -	\$ 6,590,469
Improvements other than buildings	268,448	2,330	-	270,778
Furniture and equipment	571,952	166,972	-	738,924
Total capital assets being depreciated	\$ 7,428,337	\$ 171,834	\$ -	\$ 7,600,171
Less accumulated depreciation for:				
Buildings	\$ 2,296,814	\$ 137,988	\$ -	\$ 2,434,802
Improvements other than buildings	153,114	10,448	-	163,562
Furniture and equipment	405,902	69,118	-	475,020
Total accumulated depreciation	\$ 2,855,830	\$ 217,554	\$ -	\$ 3,073,384
Total capital assets being depreciated, net	\$ 4,572,507	\$ -45,720	\$ -	\$ 4,526,787
Governmental Activities Capital Assets, Net	\$ 4,606,007	\$ -45,720	\$ -	\$ 4,560,287
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 43,981	\$ 10,783	\$ -	\$ 54,764
Less accumulated depreciation	19,978	3,183	-	23,161
Business Type Activities Capital Assets, Net	\$ 24,003	\$ 7,600	\$ -	\$ 31,603

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:	
Regular	\$ 170,801
Other	3,922
Support services:	
Administration	3,402
Operation and maintenance of plant	4,221
Transportation	35,208

Total Depreciation Expense – Governmental Activities \$ 217,554

Business Type Activities:

Food service operations \$ 3,183

(7) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2005 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Notes payable	\$ 362,344	\$ -	\$ 65,300	\$ 297,044	\$ 68,886
Early retirement	303,189	57,738	66,888	294,039	59,237
Total	\$ 665,533	\$ 57,738	\$ 132,188	\$ 591,083	\$ 128,123

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employee's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2005 totaled \$66,888. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-Term Liabilities section representing the District's commitment to fund non-current early retirement.

Note Payable – Media Center

On September 1, 1998, the District signed a note payable to American Savings Bank of Tripoli IA for the construction of a media center. The note was written for \$650,000. Interest only was paid on June 1, 1999. The interest rate on the note is 4.75%. Semi-annual payments will be \$41,204.90 and will be payable on December 1 and June 1 of each year, with the note maturing on June 1, 2009.

Details of the District's June 30, 2005 note payable – media center are as follows:

Payment Date	Principal	Interest
12-01-05	\$ 33,947	\$ 7,085
06-01-06	34,939	6,266
12-01-06	35,777	5,428
06-01-07	36,635	4,570
12-01-07	37,513	3,691
06-01-08	38,413	2,792
12-01-08	39,335	1,870
06-01-09	40,485	927
Total	\$ 297,044	\$ 32,629

During the year ended June 30, 2005, the District made principal and interest payments totaling \$82,410 under the agreements.

(8) **Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004 and 2003. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$111,557, \$108,101, and \$106,906, respectively, equal to the required contributions for each year.

(9) Risk Management

Tripoli Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$139,660 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Required Supplementary Information

Tripoli Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 2,190,702	\$ 118,210
Intermediate sources	11,608	-
State sources	2,044,677	2,608
Federal sources	121,523	62,211
Total Receipts	\$ 4,368,510	\$ 183,029
Disbursements:		
Instruction	\$ 2,768,217	\$ -
Support services	966,323	-
Non-instructional programs	-	186,885
Other expenditures	336,953	-
Total Disbursements	\$ 4,071,493	\$ 186,885
Excess (deficiency) of receipts over (under) disbursements	\$ 297,017	\$ -3,856
Other financing sources, net	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 297,017	\$ -3,856
Balances beginning of year	646,591	94,455
Balances End of Year	\$ 943,608	\$ 90,599

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
\$	2,308,912	\$ 2,108,608	\$ 2,108,608	\$ 200,304
	11,608	-	-	11,608
	2,047,285	2,059,897	2,059,897	-12,612
	183,734	178,000	178,000	5,734
\$	4,551,539	\$ 4,346,505	\$ 4,346,505	\$ 205,034
\$	2,768,217	\$ 3,048,360	\$ 3,048,360	\$ 280,143
	966,323	1,138,600	1,008,600	42,277
	186,885	308,821	308,821	121,936
	336,953	422,738	422,738	85,785
\$	4,258,378	\$ 4,918,519	\$ 4,788,519	\$ 530,141
\$	293,161	\$ -572,014	\$ -442,014	\$ 735,175
	-	294	294	-294
\$	293,161	\$ -571,720	\$ -441,720	\$ 734,881
	741,046	688,493	688,493	52,553
\$	1,034,207	\$ 116,773	\$ 246,773	\$ 787,434

Tripoli Community School District

Notes to Required Supplementary Information -- Budgetary Reporting

Year Ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment decreasing budgeted disbursements by \$130,000.

Other Supplementary Information

Tripoli Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2005

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 46,415	\$ 65,408	\$ 48,571	\$ 160,394
Receivables:				
Accounts	-	818	-	818
Property Tax:				
Delinquent	3,023	-	2,419	5,442
Succeeding year	186,000	-	153,962	339,962
Due to other funds	-	-	13,630	13,630
Total Assets	\$ 235,438	\$ 66,226	\$ 218,582	\$ 520,246
Liabilities & Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ 1,174	\$ 18,160	\$ 19,334
Deferred revenue:				
Succeeding year property tax	186,000	-	153,962	339,962
Total Liabilities	\$ 186,000	\$ 1,174	\$ 172,122	\$ 359,296
Fund Equity:				
Unreserved fund balances	49,438	65,052	46,460	160,950
Total Liabilities and Fund Equity	\$ 235,438	\$ 66,226	\$ 218,582	\$ 520,246

Tripoli Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds

Year Ended June 30, 2005

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
Revenues:					
Local Sources:					
Local tax	\$ 192,954	\$ -	\$ 155,179	\$ -	\$ 348,133
Other	3,470	141,465	820	-	145,755
Total Revenues	\$ 196,424	\$ 141,465	\$ 155,999	\$ -	\$ 493,888
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 68,610	\$ -	\$ -	\$ -	\$ 68,610
Other instruction	-	139,971	-	-	139,971
Support Services:					
Operation and maintenance of plant services	49,454	-	10,116	-	59,570
Transportation services	-	-	58,924	-	58,924
Other Expenditures:					
Facilities acquisition	-	-	34,579	-	34,579
Long-Term Debt:					
Principal	-	-	-	65,300	65,300
Interest and fiscal charges	-	-	-	17,110	17,110
Total Expenditures	\$ 118,064	\$ 139,971	\$ 103,619	\$ 82,410	\$ 444,064
Excess (deficiency) of revenues over (under) expenditures	\$ 78,360	\$ 1,494	\$ 52,380	\$ -82,410	\$ 49,824
Other Financing Sources (Uses):					
Operating transfers in	\$ -	\$ -	\$ -	\$ 82,410	\$ 82,410
Operating transfers out	-	-	-82,410	-	-82,410
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -82,410	\$ 82,410	\$ -
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 78,360	\$ 1,494	\$ -30,030	\$ -	\$ 49,824
Fund balances beginning of year	-28,922	63,558	76,490	-	111,126
Fund Balances End of Year	\$ 49,438	\$ 65,052	\$ 46,460	\$ -	\$ 160,950

Tripoli Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2005

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Athletics	\$ 20,640	\$ 56,890	\$ 65,752	\$ -	\$ 11,778
Resale	2,768	5,348	4,674	-213	3,229
Clubs	2,687	886	1,034	-240	2,299
Other students	7,360	9,337	8,739	-2,095	5,863
Elementary	23,591	40,475	37,377	1,437	28,126
Fine Arts	5,301	8,275	6,576	44	7,044
Grades	7,931	13,671	10,518	-999	10,085
Publications	-8,857	3,577	1,861	3,524	-3,617
Interest	2,035	498	1,059	-1,576	-102
Memorials	40	-	-	-	40
Publishing	-310	60	-	118	-132
Miscellaneous	372	2,448	2,381	-	439
Total	\$ 63,558	\$ 141,465	\$ 139,971	\$ -	\$ 65,052

Tripoli Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues:				
Local Sources:				
Local tax	\$ 1,602,580	\$ 1,637,469	\$ 1,631,760	\$ 1,506,582
Tuition	121,599	57,704	124,174	121,071
Other	466,523	268,964	223,548	177,337
Intermediate sources	11,608	-	-	-
State sources	2,044,677	1,938,984	1,840,807	1,872,403
Federal sources	121,523	139,871	118,923	67,395
Total	\$ 4,368,510	\$ 4,042,992	\$ 3,939,212	\$ 3,744,788
Expenditures:				
Instruction:				
Regular instruction	\$ 1,902,372	\$ 1,791,175	\$ 1,677,687	\$ 1,594,805
Special instruction	565,249	487,491	463,049	448,020
Other instruction	300,596	317,935	361,359	321,557
Support services:				
Student services	42,476	68,474	88,694	51,308
Instructional staff services	127,605	125,457	124,449	114,805
Administrative services	338,143	360,456	380,100	338,639
Operation and maintenance of plant services	300,241	253,433	270,779	225,643
Transportation services	157,858	94,712	116,609	59,746
Central support services	-	-	-	18,137
Other support services	-	-	-	6,793
Other expenditures:				
Facilities acquisition	114,883	119,923	-	92,356
Long-term debt:				
Principal	65,300	74,756	70,138	66,763
Interest and other charges	17,110	19,383	24,060	27,435
AEA flow-through	139,660	141,547	144,045	145,284
Total	\$ 4,071,493	\$ 3,854,742	\$ 3,720,969	\$ 3,511,291

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Tripoli Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tripoli Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated September 30, 2005. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Tripoli Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe items I-A-05 and I-B-05 are material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tripoli Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Tripoli Community School District and other parties to whom Tripoli Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Tripoli Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


Keith Oltrogge
Certified Public Accountant

September 30, 2005

Tripoli Community School District

Schedule of Findings

Year Ended June 30, 2005

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over each of the following areas for both the General and Activity Funds: cash receipts – collecting, depositing, journalizing, posting and reconciling.

Recommendation – With the limited number of personnel involved in accounting for District activity, an ideal system of segregation of accounting duties and functions cannot be achieved to assure adequate internal control over the safeguarding of assets and the reliability of financial records and reporting. This is not unusual in an organization of your size. Under these circumstances, the most effective controls lie in (1) the administration's and the Board's knowledge of the District's financial operations and (2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transactions. I believe these controls are being effectively utilized in the District and recommend that diligent efforts be made to maintain their effectiveness.

Response – With the number of staff available to this size of District, we will have to continue operating as in the past. We will, however, continue to monitor and keep the Board aware of the District's financial operations.

Conclusion – Response accepted.

- I-B-05 Monthly Financial Reports – Monthly financial reports, including bank reconciliations, were not prepared or presented for approval to the Board at several monthly meetings.

Recommendation – Financial reports and bank reconciliations should be prepared and presented monthly to the Board to enable the Board to use the information to manage District business.

Book balances should be reconciled to bank balances at the end of every month and the reconciliation should accompany the monthly financial report to the Board for their review and approval.

Response – Bank reconciliations are now done. Monthly financial reports are being developed for future distribution. Lateness of reports and bank reconciliations were due primarily to turnover in the business manager position.

Conclusion – Response accepted.

Tripoli Community School District

Schedule of Findings

Year Ended June 30, 2005

Part II - Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2005.

Recommendation – The District should issue a new depository resolution in sufficient amounts to cover all deposits in all banks.

Response – We will do this.

Conclusion – Response accepted.

II-B-05 Certified Budget – Disbursements for the year ended June 30, 2005 did not exceed the amounts budgeted.

II-C-05 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-05 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-05 Certified Annual Report – The Certified Annual Report was not filed with the Iowa Department of Education timely. I noted no significant deficiencies in the amounts reported.

Recommendation – The District needs to file the Certified Annual Report in the prescribed time limits established by the Department of Education.

Response – We will do this in the future.

Conclusion – Response accepted.

II-K-05 Financial Condition – Activity Fund – The Student Activity Account had three deficit accounts at June 30, 2005. The “interest” account is not an activity and should be allocated on a regular basis to the existing accounts.

Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate these deficits in order to return the accounts to sound financial conditions.

Response – We are working on this.

Conclusion – Response accepted.